

Message Text

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PAGE 01 JAKART 05198 221118Z

ACTION EB-08

INFO OCT-01 AF-10 ARA-06 EUR-12 EA-07 NEA-10 ISO-00

ERDA-05 AID-05 CEA-01 CIAE-00 COME-00 DODE-00

FPC-01 H-01 INR-07 INT-05 L-03 NSAE-00 NSC-05

OMB-01 PM-04 USIA-06 OES-06 SP-02 SS-15 STR-04

TRSE-00 ACDA-07 FEA-01 IO-13 /146 W

-----221121Z 064278 /17

P R 220950Z APR 77

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC PRIORITY 623

INFO AMEMBASSY ABU DHABI

AMEMBASSY ALGIERS

AMEMBASSY CARACAS

AMEMBASSY DOHA

AMEMBASSY DHAHRAN

AMEMBASSY JIDDA

AMEMBASSY KUALA LUMPUR

AMEMBASSY KUWAIT

AMEMBASSY LAGOS

AMEMBASSY LIBREVILLE

AMEMBASSY LONDON

AMEMBASSY PARIS

USMISSION OECD PARIS

AMEMBASSY QUITO

AMEMBASSY SINGAPORE

AMEMBASSY TEHRAN

AMEMBASSY TOKYO

AMEMBASSY TRIPOLI

AMEMBASSY VIENNA

USINT BAGHDAD

USMISSION EC BRUSSELS

AMCONSUL HONG KONG

AMCONSUL MEDAN

AMCONSUL SURABAYA

C O N F I D E N T I A L JAKARTA 5198

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PAGE 02 JAKART 05198 221118Z

E.O. 11652: GDS

TAGS: ENRG, ID, OPEC

SUBJECT: POSSIBLE PRICE INCREASE BY OPEC MAJORITY

REF: JAKARTA 4930

1. DURING ECON/COMM COUNS CALL ON MINES MINISTER SADLI TO DELIVER COPY OF PRESIDENT'S ENERGY ADDRESS, SADLI AGAIN MENTIONED GOI CONCERN ABOUT OPEC'S UNRESOLVED TWO-TIER PRICING PROBLEM. HE SAID THAT TO ALL INTENTS AND PURPOSES GOI EFFORT TO ORGANIZE SPECIAL JUNE MEETING HAS BEEN "VETOED" (HE DID NOT SPECIFY COUNTRIES THAT HAD OPPOSED THIS PROPOSITION) AND THAT THERE WAS LITTLE HOPE THAT SUCH A MEETING COULD BE ORGANIZED OR THAT A MIDDLE GROUP OF "MODERATES" WOULD BE ABLE TO PLAY A POSSIBLE MEDIATION ROLE. THE ONLY CHANCE TO RESOLVE THE ISSUE WOULD BE THROUGH VENEZUELA'S PRESIDENT PEREZ DURING HIS FORTHCOMING TRIP TO THE MIDDLE EAST.

2. HE SAID HE WAS PARTICULARLY CONCERNED SINCE HE HAD LEARNED THAT THERE WAS A MOVE AFOOT AMONG THE OPEC ELEVEN TO RAISE THE PER-BARREL PRICE BY 60 CENTS ON JULY 1 PRIOR TO THE OPEC MINISTERIAL MEETING ON JULY 12. HE HOPED THAT SUCH AN ACTION COULD BE HEADED OFF AND THAT THE SAUDIS WOULD BE WILLING TO COME UP TO A 10 PERCENT INCREASE AND THAT "EVERBODY" WOULD REMAIN AT 10 PERCENT. HE CONTINUED THAT THE TWO TIER PRICING SYSTEM HAS HAD A DESTABILIZING EFFECT IN THE WORLD OIL TRADE AND NOTED THAT HE HAD OBSERVED THE PROBLEMS CREATED BY THE TWO-TIER SYSTEM FOR EUROPEAN OIL COMPANIES DURING HIS RECENT VISIT IN BRUSSELS FOR THE ASEAN-EEC DISCUSSIONS. ALTHOUGH THE SAUDIS' STANCE HAD ALREADY HAD A "BREAKING EFFECT" ON THE PRICE PICTURE HE WAS AFRAID THAT ONCE THE SAUDIS HAD "PLAYED ALL THEIR CARDS," I.E. MAXIMIZING THEIR PRODUCTION TO THE LIMIT, WHILE OTHER PRODUCERS

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PAGE 03 JAKART 05198 221118Z

AMONG THE ELEVEN REDUCED THEIR PRODUCTION IN ORDER TO MAINTAIN A HIGH PRICE LEVEL, THE SAUDIS WOULD NO LONGER HAVE THE LEVERAGE WHICH THEY NOW HAVE. SADLI ADMITTED THAT THIS WAS, OF COURSE, ONLY A HYPOTHETICAL SITUATION, BE HE BEMOANED THE TUG OF WAR IN THE LEADERSHIP AMONG THE VARIOUS OPEC COUNTRIES AND PARTICULARLY THE QUARREL BETWEEN THE SAUDIS AND IRAN. HE FELT THAT THE REAL POINT OF CONTENTION BETWEEN THE LATTER TWO WAS NOT SO MUCH THE PRICE OF OIL BUT RATHER THE QUESTION OF INDEXATION.

3. ASKED WHAT IMPACT THE FORTHCOMING CIEC MEETINGS MIGHT HAVE ON THE ATTITUDE OF THE OPEC ELEVEN TOWARDS OIL PRICING, SADLI SAID HE DID NOT BELIEVE IT WOULD HAVE ANY EFFECT ON THE ELEVEN. THAT WAS ONE OF THE REASONS WHY HE FELT SO STRONGLY ABOUT A UNIFORM AND MORE MODERATE PRICING POLICY FOR ALL OPEC COUNTRIES.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM, POLICIES, PRICES
Control Number: n/a
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Sent Date: 22-Apr-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977JAKART05198
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770140-0394
Format: TEL
From: JAKARTA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770430/aaaaazgu.tel
Line Count: 114
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 39328ea0-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 77 JAKARTA 4930
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 15-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2727560
Secure: OPEN
Status: NATIVE
Subject: POSSIBLE PRICE INCREASE BY OPEC MAJORITY
TAGS: ENRG, ID, OPEC, (SADLI, MOHAMMAD)
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/39328ea0-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009